

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2007

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of West Branch	County Dickinson
Fiscal Year End June 30, 2007	Opinion Date September 14, 2007	Date Audit Report Submitted to State September 21, 2007	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Authorizing CPA Signature 		Printed Name Mark J. Campbell	Zip 48707
		License Number 1885282	

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

September 14, 2007

To the Township Board  
Township of West Branch  
Dickinson County, Michigan

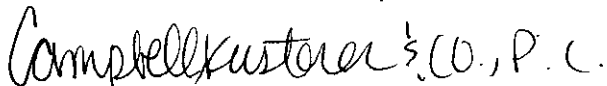
We have audited the accompanying financial statements of the governmental activities and each major fund of Township of West Branch, Dickinson County, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of West Branch's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of West Branch, Dickinson County, Michigan as of June 30, 2007, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2007

This section of the Township of West Branch's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2007. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at June 30, 2007, totaled \$99,237.61 for governmental activities. Of this total \$48,985.92 represents capital assets net of depreciation. Overall net assets increased by \$4,261.29 from the prior year.

Overall revenues were \$74,138.08.

We did not incur any new debt during the year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General and Special Revenue Funds which are the Liquor Fund, Budget Stabilization Fund, Revolving Improvement Fund and Road Improvement Fund.

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. The Township's governmental funds include: General Fund, Liquor Fund, Budget Stabilization Fund, Revolving Improvement Fund and Road Improvement Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's combined net assets increased \$4,261.29 during the year ended June 30, 2007, totaling \$99,237.61.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund is used to record all activities of the Township not required to be recorded in a separate fund. This would include parks, zoning, legislative, administrative, elections, and Township hall. The major source of revenue for the General Fund is from the Township tax base and the revenue sharing from the State of Michigan.

Liquor Fund: This fund is used to record revenues and expenses for liquor control. The source of revenue comes from revenue sharing from the State of Michigan.

Revolving Improvement Fund: This fund is used to record revenues and expenses for capital improvements within the Township.

Road Improvement Fund: This fund is used to record revenues and expenses for road construction and maintenance of streets. The source of revenue comes from revenue sharing from the State of Michigan.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: Additions to Township capital assets for this year totaled \$0.00.

The Township does not have any long-term debt at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

There are currently no plans for the future which will affect future operations.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Supervisor, Clerk or Treasurer.

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
June 30, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>50 562 33</u>
Total Current Assets	<u>50 562 33</u>
NON-CURRENT ASSETS:	
Capital Assets	143 697 00
Less: Accumulated Depreciation	<u>(94 711 08)</u>
Total Non-current Assets	<u>48 985 92</u>
TOTAL ASSETS	<u><u>99 548 25</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>310 64</u>
Total Current Liabilities	<u>310 64</u>
NON- CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>310 64</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	48 985 92
Unrestricted	<u>50 251 69</u>
Total Net Assets	<u>99 237 61</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>99 548 25</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended June 30, 2007

		<u>Program Revenue</u>	<u>Governmental Activities</u>
			<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	2 708 66	-	(2 708 66)
General government	45 493 75	2 345 00	(43 148 75)
Public safety	8 718 71	-	(8 718 71)
Public works	6 641 98	-	(6 641 98)
Culture and recreation	100 00	-	(100 00)
Other	6 213 69	-	(6 213 69)
Total Governmental Activities	<u>69 876 79</u>	<u>2 345 00</u>	<u>(67 531 79)</u>
General Revenues:			
Property taxes			13 119 52
Other taxes			49 137 88
State revenue sharing			8 287 59
Interest			1 033 09
Miscellaneous			215 00
Total General Revenues			<u>71 793 08</u>
Change in net assets			4 261 29
Net assets, beginning of year			<u>94 976 32</u>
Net Assets, End of Year			<u>99 237 61</u>



TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2007

	<u>General</u>	<u>Road Improvement</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	43 248 37	5 338 68	1 958 46	50 545 51
Due from other funds	<u>16 82</u>	<u>-</u>	<u>-</u>	<u>16 82</u>
Total Assets	<u>43 265 19</u>	<u>5 338 68</u>	<u>1 958 46</u>	<u>50 562 33</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>310 64</u>	<u>-</u>	<u>-</u>	<u>310 64</u>
Total liabilities	<u>310 64</u>	<u>-</u>	<u>-</u>	<u>310 64</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>42 954 55</u>	<u>5 338 68</u>	<u>1 958 46</u>	<u>50 251 69</u>
Total fund equity	<u>42 954 55</u>	<u>5 338 68</u>	<u>1 958 46</u>	<u>50 251 69</u>
Total Liabilities and Fund Equity	<u>43 265 19</u>	<u>5 338 68</u>	<u>1 958 46</u>	<u>50 562 33</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	50 251 69
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	143 697 00
Accumulated depreciation	<u>(94 711 08)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>99 237 61</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended June 30, 2007

	<u>General</u>	<u>Road Improvement</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:				
Property taxes	13 119 52	-	-	13 119 52
Other taxes	49 137 88	-	-	49 137 88
State revenue sharing	4 557 00	3 331 84	398 75	8 287 59
Charges for services	2 345 00	-	-	2 345 00
Interest	931 99	101 10	-	1 033 09
Miscellaneous	<u>215 00</u>	<u>-</u>	<u>-</u>	<u>215 00</u>
Total revenues	<u>70 306 39</u>	<u>3 432 94</u>	<u>398 75</u>	<u>74 138 08</u>
Expenditures:				
Legislative:				
Township Board	2 708 66	-	-	2 708 66
General government:				
Supervisor	5 400 00	-	-	5 400 00
Elections	2 397 78	-	-	2 397 78
Assessor	10 071 64	-	-	10 071 64
Clerk	5 615 78	-	-	5 615 78
Board of Review	603 06	-	-	603 06
Treasurer	8 333 99	-	-	8 333 99
Building and grounds	12 006 10	-	-	12 006 10
Public safety:				
Liquor control	-	-	645 84	645 84
Fire protection	1 255 00	-	-	1 255 00
Ambulance	4 886 07	-	-	4 886 07
Planning and zoning	178 00	-	-	178 00
Public works:				
Sanitation	6 025 32	-	-	6 025 32
Other:				
Insurance	4 199 00	-	-	4 199 00
Payroll taxes	<u>2 014 69</u>	<u>-</u>	<u>-</u>	<u>2 014 69</u>
Total expenditures	<u>65 695 09</u>	<u>-</u>	<u>645 84</u>	<u>66 340 93</u>
Excess (deficiency) of revenues over expenditures	<u>4 611 30</u>	<u>3 432 94</u>	<u>(247 09)</u>	<u>7 797 15</u>
Other financing sources (uses):				
Operating transfers in	-	-	300 00	300 00
Operating transfers out	<u>(300 00)</u>	<u>-</u>	<u>-</u>	<u>(300 00)</u>
Total other financing sources (uses)	<u>(300 00)</u>	<u>-</u>	<u>300 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	4 311 30	3 432 94	52 91	7 797 15
Fund balances, July 1	<u>38 643 25</u>	<u>1 905 74</u>	<u>1 905 55</u>	<u>42 454 54</u>
Fund Balances, June 30	<u><u>42 954 55</u></u>	<u><u>5 338 68</u></u>	<u><u>1 958 46</u></u>	<u><u>50 251 69</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended June 30, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 7 797 15

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(3 535 86)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>4 261 29</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of West Branch, Dickinson County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of West Branch. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Agency Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2006 tax roll millage rate was 1.8394 mills, and the taxable value was \$7,174,107.00.

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$2,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	30-50 years
Equipment and vehicles	5-20 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>50 562 33</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	54 098 77
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>54 098 77</u>

The Township of West Branch did not have any investments as of June 30, 2007.



TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 7/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/07</u>
Land and improvements	8 000 00	-	-	8 000 00
Buildings and improvements	88 190 00	-	-	88 190 00
Equipment and vehicles	<u>47 507 00</u>	<u>-</u>	<u>-</u>	<u>47 507 00</u>
Total	143 697 00	-	-	143 697 00
Accumulated Depreciation	<u>(91 175 22)</u>	<u>(3 535 86)</u>	<u>-</u>	<u>(94 711 08)</u>
Net Capital Assets	<u>52 521 78</u>	<u>(3 535 86)</u>	<u>-</u>	<u>48 985 92</u>

**Note 5 – Pension Plan**

The Township does not have a pension plan.

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Interfund Receivables and Payables**

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>16 82</u>	Current Tax Collection	<u>16 82</u>

**Note 9 – Transfers In and Transfers Out**

For the fiscal year ended June 30, 2007, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Liquor	<u>300 00</u>	General	<u>300 00</u>
Total	<u>300 00</u>	Total	<u>300 00</u>

**Note 10 – Building Permits**

The Township of West Branch does not issue building permits. Building permits are issued by Dickinson County Construction Code Commission.

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

Note 11 – Budget Variances

During the fiscal year ended June 30, 2007, Township expenditures exceeded budgeted amounts in two activities as follows:

<u>Activity</u>	<u>Final Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund:			
Elections	1 700 00	2 397 78	697 78
Sanitation	6 000 00	6 025 32	25 32

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	10 000 00	10 000 00	13 119 52	3 119 52
Other taxes	49 473 00	49 473 00	49 137 88	(335 12)
State revenue sharing	4 500 00	4 500 00	4 557 00	57 00
Charges for services	2 300 00	2 300 00	2 345 00	45 00
Interest	500 00	500 00	931 99	431 99
Miscellaneous	<u>3 745 00</u>	<u>3 745 00</u>	<u>215 00</u>	<u>(3 530 00)</u>
Total revenues	<u>70 518 00</u>	<u>70 518 00</u>	<u>70 306 39</u>	<u>(211 61)</u>
Expenditures:				
Legislative:				
Township Board	2 900 00	2 900 00	2 708 66	(191 34)
General government:				
Supervisor	5 500 00	5 500 00	5 400 00	(100 00)
Elections	2 500 00	1 700 00	2 397 78	697 78
Assessor	7 400 00	10 600 00	10 071 64	(528 36)
Clerk	5 750 00	5 750 00	5 615 78	(134 22)
Board of Review	650 00	650 00	603 06	(46 94)
Treasurer	9 000 00	9 000 00	8 333 99	(666 01)
Building and grounds	12 300 00	12 300 00	12 006 10	(293 90)
Public safety:				
Fire protection	5 000 00	3 000 00	1 255 00	(1 745 00)
Ambulance	5 080 00	5 080 00	4 886 07	(193 93)
Planning and zoning	500 00	500 00	178 00	(322 00)
Public works:				
Sanitation	6 000 00	6 000 00	6 025 32	25 32
Other:				
Insurance	4 200 00	4 200 00	4 199 00	(1 00)
Payroll taxes	2 100 00	2 100 00	2 014 69	(85 31)
Capital outlay	<u>500 00</u>	<u>500 00</u>	<u>-</u>	<u>(500 00)</u>
Total expenditures	<u>69 380 00</u>	<u>69 780 00</u>	<u>65 695 09</u>	<u>(4 084 91)</u>
Excess (deficiency) of revenues over expenditures	<u>1 138 00</u>	<u>738 00</u>	<u>4 611 30</u>	<u>3 873 30</u>
Other financing sources (uses)				
Operating transfers out	<u>(1 100 00)</u>	<u>(1 100 00)</u>	<u>(300 00)</u>	<u>800 00</u>
Total other financing sources (uses)	<u>(1 100 00)</u>	<u>(1 100 00)</u>	<u>(300 00)</u>	<u>800 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	38 00	(362 00)	4 311 30	4 673 30
Fund balance, July 1	<u>39 629 13</u>	<u>39 629 13</u>	<u>38 643 25</u>	<u>(985 88)</u>
Fund Balance, June 30	<u>39 667 13</u>	<u>39 267 13</u>	<u>42 954 55</u>	<u>3 687 42</u>

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

**BUDGETARY COMPARISON SCHEDULE – ROAD IMPROVEMENT FUND**  
Year ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
State revenue sharing	-	-	3 331 84	3 331 84
Interest	-	-	101 10	101 10
Total revenues	-	-	3 432 94	3 432 94
Expenditures:				
Public works:				
Highways and streets	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Operating transfers in	800 00	800 00	-	(800 00)
Total other financing sources (uses)	800 00	800 00	-	(800 00)
Excess (deficiency) of revenues and other sources over expenditures and other uses	800 00	800 00	3 432 94	2 632 94
Fund balance, July 1	1 899 70	1 899 70	1 905 74	6 04
Fund Balance, June 30	2 699 70	2 699 70	5 338 68	2 638 98

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended June 30, 2007

Township Board:	
Salaries	2 160 00
Memberships and dues	285 66
Mileage	28 00
Education	90 00
Miscellaneous	145 00
	<u>2 708 66</u>
Supervisor:	
Salary	<u>5 400 00</u>
Elections:	
Salaries	1 327 00
Mileage	175 00
Supplies	895 78
	<u>2 397 78</u>
Assessor:	
Contracted services	8 583 00
Supplies	1 096 84
Mileage	331 80
Utilities	60 00
	<u>10 071 64</u>
Clerk:	
Salary	5 400 00
Supplies	28 78
Mileage	97 00
Education	90 00
	<u>5 615 78</u>
Board of Review:	
Salaries	312 00
Printing and publishing	291 06
	<u>603 06</u>
Treasurer:	
Salary	6 750 00
Supplies	323 99
Mileage	160 00
Contracted services	1 100 00
	<u>8 333 99</u>
Building and grounds:	
Salary	4 800 00
Supplies	322 45
Utilities	6 645 68
Miscellaneous	237 97
	<u>12 006 10</u>
Fire protection:	
Salary	<u>1 255 00</u>
Ambulance	<u>4 886 07</u>
Planning and zoning:	
Salaries	166 00
Mileage	12 00
	<u>178 00</u>

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2007

Sanitation	<u>6 025 32</u>
Insurance	<u>4 199 00</u>
Payroll taxes	<u>2 014 69</u>
Total Expenditures	<u><u>65 695 09</u></u>

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS  
June 30, 2007

	<u>Liquor</u>	<u>Budget Stabilization</u>	<u>Revolving Improvement</u>	<u>Road Improvement</u>
<u>Assets</u>				
Cash in bank	<u>90 72</u>	<u>88 03</u>	<u>1 779 71</u>	<u>5 338 68</u>
Total Assets	<u>90 72</u>	<u>88 03</u>	<u>1 779 71</u>	<u>5 338 68</u>
<u>Liabilities and Fund Balances</u>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	<u>90 72</u>	<u>88 03</u>	<u>1 779 71</u>	<u>5 338 68</u>
Total Liabilities and Fund Balances	<u>90 72</u>	<u>88 03</u>	<u>1 779 71</u>	<u>5 338 68</u>

Total

7 297 14

7 297 14

-

7 297 14

7 297 14



TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS  
Year ended June 30, 2007

	<u>Liquor</u>	<u>Budget Stabilization</u>	<u>Revolving Improvement</u>	<u>Road Improvement</u>
Revenues:				
State revenue sharing	398 75	-	-	3 331 84
Interest	-	-	-	101 10
Total revenues	<u>398 75</u>	<u>-</u>	<u>-</u>	<u>3 432 94</u>
Expenditures:				
Liquor control	645 84	-	-	-
Total expenditures	<u>645 84</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(247 09)</u>	<u>-</u>	<u>-</u>	<u>3 432 94</u>
Other financing sources (uses):				
Operating transfers in	300 00	-	-	-
Total other financing sources (uses)	<u>300 00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	52 91	-	-	3 432 94
Fund balances, July 1	<u>37 81</u>	<u>88 03</u>	<u>1 779 71</u>	<u>1 905 74</u>
Fund Balances, June 30	<u><u>90 72</u></u>	<u><u>88 03</u></u>	<u><u>1 779 71</u></u>	<u><u>5 338 68</u></u>

Total

3 730 59

101 10

3 831 69

645 84

645 84

3 185 85

300 00

300 00

3 485 85

3 811 29

7 297 14

TOWNSHIP OF WEST BRANCH  
Dickinson County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended June 30, 2007

	<u>Balance</u> <u>7/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/07</u>
<u>Assets</u>				
Cash in Bank	<u>12 59</u>	<u>271 783 39</u>	<u>271 779 16</u>	<u>16 82</u>
<u>Liabilities</u>				
Due to other funds	12 59	13 370 01	13 365 78	16 82
Due to others	<u>-</u>	<u>258 413 38</u>	<u>258 413 38</u>	<u>-</u>
Total Liabilities	<u>12 59</u>	<u>271 783 39</u>	<u>271 779 16</u>	<u>16 82</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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KENNETH P. KUSTERER, CPA

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BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

September 14, 2007

To the Township Board  
Township of West Branch  
Dickinson County, Michigan

We have audited the financial statements of the Township of West Branch for the year ended June 30, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of West Branch in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of West Branch  
Dickinson County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **FIRE BANK ACCOUNT**

The firemen have a bank account in the name of the Township. We recommend that these funds be handled by the Township Treasurer. We also recommend that these transactions be approved by the Township Board.

#### **BUDGET VARIANCES**

Actual expenditures have exceeded budgeted amounts in two activities. We recommend that the Township Board adopt and amend the budgets in compliance with state law.

#### **INVESTMENT POLICY**

The Township Board has not adopted an investment policy. We recommend that the Township Board adopt an investment policy as soon as possible.

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

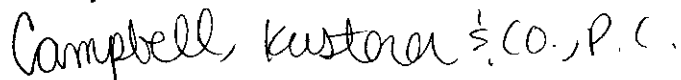
To the Township Board  
Township of West Branch  
Dickinson County, Michigan

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

A handwritten signature in cursive script that reads "Campbell Kusterer & Co., P.C.".

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants